
Tobin & Co.

Homestead Township

Benzie County, Michigan

Audit Report

For the Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Name (Specify) <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other <u>Homestead Township</u>		County <u>Benzie</u>
Audit Date <u>3/31/04</u>	Opinion Date <u>6/18/04</u>	Date Accountant Report Submitted to State: <u>7/2/04</u>

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

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We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

TOBIN & CO., P.C.
400 E. EIGHTH ST.
TRAVERSE CITY, MI 49686

Certified Public Accountant (Firm Name)	231 947-0151	City	State	ZIP
Street Address	38-2595 646			
Accountant Signature	John D. Tobin			

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the general purpose financial statements of Homestead Township, Benzie County, for the year ended March 31, 2004 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation, made for the limited purpose described above, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Homestead Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

The accounting records were in good condition for the year. Bank accounts were reconciled to accounting records. The accounting records are maintained on a computerized system.

The Clerk should consider maintaining the accounting records in a separate file for each fund. As the Township fiscal operations become more complex, separate data files will help to avoid posting transactions to the wrong funds.

The individual who is responsible for Park operations collects fees for Park use and operates a concession operation. These transactions should be recorded in the Township records maintained by the Clerk and Treasurer.

Budgets and Procedures

The Township prepared and adopted budgets for the General and Fire Equipment Funds. In the General Fund, one cost center exceeded its expenditure budget. Further, budgets were not properly adopted and maintained for the Fire Equipment Fund and the Fireman's Savings Fund. All General and Special Revenue Funds should have budgets. The monthly financial statements provided to the Board by the Clerk should have budget to actual comparisons. It is against State law to expend funds in excess of budgeted amounts for the General and all Special Revenue Funds.

Bank Accounts

All Township deposits are at one bank, and of those funds \$36,105 is uninsured by the Federal Deposit Insurance Corporation at March 31, 2004. While we are not recommending any modification to existing bank relationships, the Board should be aware of this fact and monitor the safety of the Township's assets.

Tobin & Co.

Comments and Recommendations

General Fund

This Fund is presented on Schedule 1. The Fund balance decreased during the year by \$46,558 and amounted to \$76,105 at March 31, 2004.

Fire Equipment Fund

This Fund, presented on Schedule 4, is used to account for the special voted levy for fire equipment purchases. The Fund balance decreased by \$57,729 during the year to \$44,271. Capital outlay for fire equipment was \$175,764 for the year.

Fireman's Savings Fund

This Fund, presented on Schedule 5, is used to account for funds generated by the Fire Department. The Fund balance at March 31, 2004 was \$2,277.

Property Tax Administration Fees

As permitted by statute, Homestead Township levied a 1% administration fee on all 2003 property taxes. This fee may be used only for such property tax administration expenses as assessing, collecting and the review and appeal process. See Schedule 9.

Property Tax Collections

The collection and distribution of the 2003 tax levy was handled in an excellent manner by the Township Treasurer. Paid receipts were filed in order of payment, deposits were made timely and intact, and timely distributions were made to taxing units during the collection period.

General Fixed Assets

Beginning in the fiscal year ending March 31, 2005, the Township must convert its records to conform with Government Accounting Standards Board Standard 34. This will require a complete inventory of all fixed assets, including acquisition date and cost, on April 1, 2004. We will be able to assist you in converting to this accounting requirement, and the information gathering process should begin soon.

Insurance and Surety Bond Coverage

Records reflect that the Township has such insurance coverage as fire and casualty, general liability, errors and omissions, equipment and workmen's compensation. Coverage was reviewed during the audit year. The Clerk, Treasurer, Deputy Clerk, Deputy Treasurer have surety bond coverage.

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Comments and Recommendations

Inter-Fund Loans

There were no inter-fund loans during the year.

Payroll Records

Payroll records appeared to be in proper order. Computerized records are now being utilized.

Other Data

We were pleased to note the use of interest bearing accounts which resulted in earned interest of \$667 for the audit year. This reflects the use of surplus funds to purchase fire equipment and other capital outlay items.

After the completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Homestead Township
Benzie County
Honor, Michigan 49648

We have audited the accompanying general purpose financial statements of Homestead Township as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly in all material respects, the financial position of such funds of Homestead Township at March 31, 2004, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of Homestead Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Tobin & Co., P.C.

TOBIN & CO., P.C.
Certified Public Accountants
June 18, 2004

Homestead TownshipExhibit ACombined Balance Sheet – All Fund Types and Account GroupsMarch 31, 2004

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>
<u>Assets</u>	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Fund</u>
Cash in Bank	\$ 76,105	\$ 46,548	\$ 1,873
Taxes Receivable – Delinquent	9,825	7,618	-
Land and Improvements	-	-	65,678
Buildings and Improvements	-	-	59,353
Machinery and Equipment	-	-	-
Accumulated Depreciation	-	-	(1,978)
Amount to be Provided for Long-term Debt	-	-	-
Total Assets	<u>\$ 85,930</u>	<u>\$ 54,166</u>	<u>\$ 124,926</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Undistributed Taxes	\$ -	\$ -	\$ -
Deferred Revenue	9,825	7,618	-
Mortgage Note Payable	-	-	105,429
Installment Note Payable	-	-	-
Total Liabilities	<u>9,825</u>	<u>7,618</u>	<u>105,429</u>
Fund Equity:			
Investment in General Fixed Assets	-	-	-
Fund Balance	76,105	46,548	-
Retained Earnings	-	-	19,497
Total Fund Equity	<u>76,105</u>	<u>46,548</u>	<u>19,497</u>
Total Liabilities and Fund Equity	<u>\$ 85,930</u>	<u>\$ 54,166</u>	<u>\$ 124,926</u>

The Notes to the Financial Statements are an integral part of this statement.

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Fiduciary Fund Types	Account Groups		Total (Memo Only)
	General Fixed Assets	General Long-term Debt	
<u>Agency</u>			
\$ 11,579	\$ -	\$ -	\$ 136,105
-	-	-	17,443
-	39,751	-	105,429
-	117,533	-	176,886
-	946,619	-	946,619
-	-	-	(1,978)
-	-	58,584	58,584
<u>\$ 11,579</u>	<u>\$ 1,103,903</u>	<u>\$ 58,584</u>	<u>\$ 1,439,088</u>
\$ 11,579	\$ -	-	\$ 11,579
-	-	-	17,443
-	-	-	105,429
-	-	58,584	58,584
<u>11,579</u>	<u>-</u>	<u>58,584</u>	<u>193,035</u>
-	1,103,903	-	1,103,903
-	-	-	122,653
-	-	-	19,497
<u>-</u>	<u>1,103,903</u>	<u>-</u>	<u>1,246,053</u>
<u>\$ 11,579</u>	<u>\$ 1,103,903</u>	<u>\$ 58,584</u>	<u>\$ 1,439,088</u>

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Homestead Township

Exhibit B

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

All Governmental Fund Types

For the Year Ended March 31, 2004

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total (Memo Only)</u>
<u>Revenues</u>			
Taxes	\$ 65,093	\$ 46,019	\$ 111,112
State Grants	125,597	-	125,597
Charges for Services	47,060	14,770	61,830
Interest and Rents	4,757	130	4,887
Other	<u>51,393</u>	<u>1,962</u>	<u>53,355</u>
Total Revenues	<u>293,900</u>	<u>62,881</u>	<u>356,781</u>
<u>Expenditures</u>			
Legislative	21,734	-	21,734
General Government	98,534	-	98,534
Public Safety	76,588	16,555	93,143
Public Works	95,920	-	95,920
Recreation and Culture	4,000	-	4,000
Other	24,682	-	24,682
Capital Outlay	<u>-</u>	<u>177,536</u>	<u>177,536</u>
Total Expenditures	<u>321,458</u>	<u>194,091</u>	<u>515,549</u>
<u>Excess Revenues (Expenditures)</u>	<u>(27,558)</u>	<u>(131,210)</u>	<u>(158,768)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds of Issuance of Long-term Debt	-	73,700	73,700
Transfer In	-	-	-
Transfer (Out)	<u>(19,000)</u>	<u>-</u>	<u>(19,000)</u>
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>73,700</u>	<u>54,700</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>(46,558)</u>	<u>(57,510)</u>	<u>(104,068)</u>
<u>Fund Balance – Beginning of Year</u>	<u>122,663</u>	<u>104,058</u>	<u>226,721</u>
<u>Fund Balance – End of Year</u>	<u>\$ 76,105</u>	<u>\$ 46,548</u>	<u>\$ 122,653</u>

The Notes to the Financial Statements are an integral part of this statement.

Homestead TownshipExhibit CCombined Statement of Revenues, Expenditures and Changes in Fund BalanceBudget and ActualGeneral Fund and Special Revenue FundFor the Year Ended March 31, 2004

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes	\$ 59,558	\$ 65,093	\$ 5,535
State Grants	103,000	125,597	22,597
Charges for Services	50,600	47,060	(3,540)
Interest and Rents	6,000	4,757	(1,243)
Other	44,783	51,393	6,610
Total Revenues	<u>263,941</u>	<u>293,900</u>	<u>29,959</u>
<u>Expenditures</u>			
Legislative	50,000	21,734	28,266
General Government	129,500	98,534	30,966
Public Safety	79,000	76,588	2,412
Public Works	95,920	95,920	-
Recreation and Culture	10,000	4,000	6,000
Other	3,184	24,682	(21,498)
Capital Outlay	-	-	-
Total Expenditures	<u>367,604</u>	<u>321,458</u>	<u>46,146</u>
<u>Excess Revenues (Expenditures)</u>	<u>(103,663)</u>	<u>(27,558)</u>	<u>76,105</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds for Issuance of Long-term Debt	-	-	-
Transfer In	-	-	-
Transfer (Out)	<u>(19,000)</u>	<u>(19,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(19,000)</u>	<u>(19,000)</u>	<u>-</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	(1) <u>\$ (122,663)</u>	<u>(46,558)</u>	<u>\$ 76,105</u>
<u>Fund Balance – Beginning of Year</u>		<u>122,663</u>	
<u>Fund Balance – End of Year</u>		<u>\$ 76,105</u>	

(1) Budgeted from Fund Balance

The Notes to the Financial Statements are an integral part of this statement.

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<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
\$ 44,265	\$ 46,019	\$ 1,754
-	-	-
-	14,770	14,770
-	130	130
-	1,962	1,962
<u>44,265</u>	<u>62,881</u>	<u>18,616</u>
-	-	-
-	-	-
-	16,555	(16,555)
-	-	-
-	-	-
-	-	-
<u>44,265</u>	<u>177,536</u>	<u>(133,271)</u>
<u>44,265</u>	<u>194,091</u>	<u>(149,826)</u>
<u>-</u>	<u>(131,210)</u>	<u>(131,210)</u>
-	73,700	73,700
-	-	-
-	-	-
<u>-</u>	<u>73,700</u>	<u>73,700</u>
<u>\$ -</u>	(57,510)	<u>\$ (57,510)</u>
	<u>104,058</u>	
	<u>\$ 46,548</u>	

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Homestead Township

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balance

Proprietary Fund Types

For the Year Ended March 31, 2004

<u>Operating Revenues</u>	<u>Rental House</u>
Rental Income	\$ 5,240
Total Revenues	<u>5,240</u>
<u>Operating Expenses</u>	
Interest	2,308
Supplies, Repairs and Maintenance	457
Depreciation	<u>1,978</u>
Total Expenses	<u>4,743</u>
<u>Operating Income</u>	<u>497</u>
<u>Other Financing Sources (Uses)</u>	
Operating Transfer	<u>19,000</u>
Total Other Financing Sources (Uses)	<u>19,000</u>
<u>Net Income</u>	19,497
<u>Retained Earnings</u> – Beginning of Year	<u>-</u>
<u>Retained Earnings</u> – End of Year	<u>\$ 19,497</u>

The Notes to the Financial Statements are an integral part of this system.

Tobin & Co.

Homestead Township

Exhibit E

Combined Statement of Cash Flows

All Proprietary Funds

For the Year Ended March 31, 2004

	<u>Rental House</u>
OPERATING ACTIVITIES:	
Net Income	\$ 19,497
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	<u>1,978</u>
Net Cash Provided by Operating Activities	<u>21,475</u>
INVENTING ACTIVITIES:	
Investment in Land, Buildings and Equipment	<u>(125,031)</u>
Net Cash Used by Investing Activities	<u>(125,031)</u>
FINANCING ACTIVITIES:	
Proceeds from Mortgage Note	115,000
Principal Payments During the Year	<u>(9,571)</u>
Net Cash Used by Financing Activities	<u>105,429</u>
Increase in Cash and Cash Equivalents	1,873
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,873</u>

The Notes to the Financial Statements are an integral part of this system.

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Homestead Township is a general law township located in Benzie County, Michigan. Population as of the 2000 census was 2,078, and the current State equalized and taxable values are \$71,846,150 and \$48,508,264, respectively.

The Township's general purpose financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, *The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The financial activities of the Township are recorded in separate self-balancing funds and account groups, categorized and described as follows:

Governmental Funds

General Fund -This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds -These funds are used to account for specific revenue (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds - These funds are accounted for using the economic resources measurement focus. The accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a Proprietary Fund's activities are included in its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

Fiduciary Funds -These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Account Groups

General Fixed Assets – This account group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

C. Basis of Accounting

All governmental and agency funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

D. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

E. Budgets

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a function basis. The approved budgets for these funds were adopted to the activity or cost center level.

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budget (continued)

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the application appropriation, is not utilized by the Township.

For budgetary purposes appropriations lapse at fiscal year end.

F. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain general fixed assets consisting of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems are excluded from general fixed assets because such items are immovable and of value only to the Township. General fixed assets are not subject to annual depreciation expense.

Fixed assets are recorded at historical cost. Donated fixed assets are valued and recorded at the fair market value at date of receipt.

G. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$71,846,150	\$48,508,264	0.9841
Fire Protection	\$71,846,150	\$48,508,264	0.9496

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Cash and Cash Equivalents – Enterprise Funds

For purposes of the statement of cash flows, the Township treats highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

I. Depreciation in Enterprise Funds

Property, plant and equipment items were acquired during the year ended March 31, 2004. The Township records these assets at cost at the time of purchase. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets.

J. Total Column

The “total” columns on the combined financial statements are captioned “memo only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund transactions have not been eliminated in the aggregation of this data.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2004.

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended March 31, 2004, the one cost center of the General Fund exceeded its expenditure budget by \$21,498, and three cost centers in the Fire Equipment and Firemen's Savings Funds exceeded the expenditure budgets by \$149,826.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

B. Types of Deposits and Investments

The Township had \$136,693 deposited with Michigan financial institutions at March 31, 2004 with a carrying value of \$136,105. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$36,105 of uninsured deposits at March 31, 2004.

NOTE 4 - STATEMENTS OF CHANGES IN GENERAL FIXED ASSETS

	Balance 3/31/03	Additions	Deletions	Balance 3/31/04
Land	\$ 39,751	\$ -	\$ -	\$ 39,751
Buildings	117,533	-	-	117,533
Fire Dept - Vehicles	297,634	175,764	-	473,398
Fire Dept - Equipment	219,570	1,772	-	221,342
Furniture & Fixtures	28,966	-	-	28,966
Recreation & Parks	222,913	-	-	222,913
Total	<u>\$ 926,367</u>	<u>\$ 177,536</u>	<u>\$ -</u>	<u>\$1,103,903</u>

NOTE 6 - LOANS AND TRANSFERS BETWEEN FUNDS

A transfer of \$19,000 was made during the year from the General Fund to the Rental Fund.

There were no interfund loans or advances during the audit period.

NOTE 7 - INVENTORIES

Homestead Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 8 - ACCOUNTS/TAXES RECEIVABLE

Taxes Receivable - Delinquent of \$17,443 represent 2003 property taxes and fees returned delinquent to the County Treasurer as of March 1, 2004. These receivables are offset by deferred revenue, since the Township does not recognize the revenue until collections are received from the County. The foregoing amounts are not available for expenditures or obligations of the audit year.

Tobin & Co.

Homestead Township

Notes to Financial Statements

March 31, 2004

NOTE 9 - PROPERTY TAX ADMINISTRATION FEES

As permitted by statute, Homestead Township levied a 1% administration fee on all 2003 property taxes. This fee may be used only for such property tax administration costs as assessing, collecting, and the review and appeal process.

NOTE 10 - CONTINGENT LIABILITIES

Township officials are not aware of any contingent liabilities on the part of the Township.

NOTE 11- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 - COMPENSATED ABSENCES

The Township does not have a policy for employees to earn vacation, sick, or personal leave days. Therefore, the Township has no liability in regard to compensating employees for such days.

NOTE 13 - PURCHASE OF FIRE EQUIPMENT AND INSTALLMENT NOTE PAYABLE

In April 2003, the Township purchased fire equipment for \$175,764 and financed \$73,700 of the purchase with a local bank. The interest rate is 4.05% with installment payments scheduled for three years. The note was paid down to \$58,584 in October 2003, and the remaining balance was paid off in April 2004.

NOTE 14 - PURCHASE OF REAL ESTATE

In April 2003, the Township purchased real estate adjacent to the Township Hall for \$120,000. The purchase included a house which the Township is renting. The purchase was financed with a mortgage for \$115,000 at 4.21% and due in five years. The rental activity is reported in a proprietary fund.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Homestead Township

Schedule 1

Page 1

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes:			
Current Property Taxes - General	\$ 47,000	\$ 39,427	\$ (7,573)
Delinquent Property Taxes	-	8,317	8,317
Interest and Penalties on Taxes	-	84	84
Swamp Taxes	4,558	4,401	(157)
Property Tax Administration Fees	8,000	12,864	4,864
State Grants:			
State Shared Revenues	103,000	123,534	20,534
Metro Act	-	2,063	2,063
Charges for Services:			
Fire Department Fees	45,000	41,302	(3,698)
Cemetery Sexton	5,000	1,200	(3,800)
Land Division	600	-	(600)
Summer Tax Collection	-	4,558	4,558
Interest and Rents:			
Earned Interest	2,000	537	(1,463)
Rents and Royalties	4,000	4,220	220
Other:			
Refunds, Reimbursements and Misc.	42,783	48,381	5,598
Licenses and Permits	<u>2,000</u>	<u>3,012</u>	<u>1,012</u>
Total Revenues	<u>263,941</u>	<u>293,900</u>	<u>29,959</u>
<u>Expenditures</u>			
Legislative:			
Township Board:			
Salaries and Wages	-	2,465	-
Legal and Audit Services	-	10,151	-
Supplies	-	543	-
Printing and Advertising	-	1,373	-
Memberships	-	1,299	-
Miscellaneous	<u>-</u>	<u>5,903</u>	<u>-</u>
Total Legislative	<u>50,000</u>	<u>21,734</u>	<u>28,266</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 1

Page 2

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government:			
Township Supervisor:			
Salaries and Wages	-	15,165	-
Education and Mileage	-	339	-
Total	<u>15,800</u>	<u>15,504</u>	<u>296</u>
Elections:			
Wages	-	641	-
Total	<u>2,100</u>	<u>641</u>	<u>1,459</u>
Assessor:			
Salaries and Wages	-	19,871	-
Supplies	-	1,191	-
Dues and Memberships	-	55	-
Total	<u>23,000</u>	<u>21,117</u>	<u>1,883</u>
Clerk:			
Salaries and Wages	-	15,165	-
Supplies	-	371	-
Education, Training & Misc.	-	509	-
Total	<u>16,100</u>	<u>16,045</u>	<u>55</u>
Board of Review:			
Salaries and Wages	-	780	-
Total	<u>5,000</u>	<u>780</u>	<u>4,220</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 1

Page 3

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
General Government:			
Treasurer:			
Salaries and Wages	-	17,287	-
Supplies and Postage	-	4,125	-
Printing	-	4,102	-
Education, Training & Misc.	-	455	-
Total	<u>26,100</u>	<u>25,969</u>	<u>131</u>
Township Hall and Grounds:			
Supplies and Miscellaneous	-	744	-
Public Utilities	-	4,603	-
Maintenance and Repairs	-	4,225	-
Telephone	-	2,403	-
Total	<u>27,000</u>	<u>11,975</u>	<u>15,025</u>
Cemetery:			
Salaries and Wages	-	4,915	-
Utilities	-	171	-
Miscellaneous	-	1,417	-
Total	<u>14,400</u>	<u>6,503</u>	<u>7,897</u>
Total General Government	<u>129,500</u>	<u>98,534</u>	<u>30,966</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 1

Page 4

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

<u>Expenditures (Continued)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety:			
Fire Department:			
Salaries and Wages	-	17,366	-
Supplies	-	4,002	-
Dues and Memberships	-	995	-
Repairs	-	38,812	-
Utilities	-	3,026	-
Education, Training & Other	-	4,445	-
Total	<u>69,000</u>	<u>68,646</u>	<u>354</u>
Planning and Zoning:			
Salaries and Wages	-	7,430	-
Supplies	-	64	-
Mileage and Travel	-	368	-
Contracted Services	-	80	-
Total	<u>10,000</u>	<u>7,942</u>	<u>2,058</u>
Total Public Safety	<u>79,000</u>	<u>76,588</u>	<u>2,412</u>
Public Works:			
Roads	<u>95,920</u>	<u>95,920</u>	<u>-</u>
Total Public Works	<u>95,920</u>	<u>95,920</u>	<u>-</u>
Recreation and Culture:			
Parks and Recreation:			
Salaries and Wages	-	3,000	-
Miscellaneous	-	1,000	-
Total Parks and Recreation	<u>10,000</u>	<u>4,000</u>	<u>6,000</u>
Total Recreation and Culture	<u>10,000</u>	<u>4,000</u>	<u>6,000</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 1

Page 5

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
Other Functions:			
Payroll Taxes	-	7,587	-
Insurance and Bonds	-	17,095	-
Total Other Functions	3,184	24,682	(21,498)
Total Expenditures	367,604	321,458	46,146
<u>Excess Revenues (Expenditures)</u>	<u>(103,663)</u>	<u>(27,558)</u>	<u>76,105</u>
Other Financing Sources (Uses)			
Transfer In	-	-	-
Transfer (Out)	(19,000)	(19,000)	-
Total Other Financing Sources (Uses)	(19,000)	(19,000)	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>\$ (122,663)</u>	<u>(46,558)</u>	<u>\$ 76,105</u>
<u>Fund Balance</u> – Beginning of Year		122,663	
<u>Fund Balance</u> – End of Year		<u>\$ 76,105</u>	

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 2

Combining Balance Sheet

All Special Revenue Funds

March 31, 2004

	<u>Fire Equipment Fund</u>	<u>Fireman's Savings Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash in Bank	\$ 44,271	\$ 2,277	\$ 46,548
Taxes Receivable – Delinquent	<u>7,618</u>	<u>-</u>	<u>7,618</u>
Total Assets	<u>\$ 51,889</u>	<u>\$ 2,277</u>	<u>\$ 54,166</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Deferred Revenue	\$ 7,618	\$ -	\$ 7,618
Total Liabilities	<u>7,618</u>	<u>-</u>	<u>7,618</u>
Fund Equity:			
Fund Balance	<u>44,271</u>	<u>2,277</u>	<u>46,548</u>
Total Fund Equity	<u>44,271</u>	<u>2,277</u>	<u>46,548</u>
Total Liabilities and Fund Equity	<u>\$ 51,889</u>	<u>\$ 2,277</u>	<u>\$ 54,166</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 3

Combined Statements of Revenues, Expenditures and Changes In Fund Balance

All Special Revenue Funds

For the Year Ended March 31, 2004

	<u>Fire Equipment Fund</u>	<u>Fireman's Savings Fund</u>	<u>Total</u>
<u>Revenues</u>			
Taxes	\$ 46,019	\$ -	\$ 46,019
Charges for Services	14,770	-	14,770
Interest and Rents	101	29	130
Donations	-	1,962	1,962
Total Revenues	<u>60,890</u>	<u>1,991</u>	<u>62,881</u>
<u>Expenditures</u>			
Supplies	8	-	8
Capital Outlay	175,764	1,772	177,536
Debt Service	<u>16,547</u>	<u>-</u>	<u>16,547</u>
Total Expenditures	<u>192,319</u>	<u>1,772</u>	<u>194,091</u>
<u>Excess Revenues (Expenditures)</u>	<u>(131,429)</u>	<u>219</u>	<u>(131,210)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Long Term Debt	<u>73,700</u>	<u>-</u>	<u>73,700</u>
Total Other Financing Sources (Uses)	<u>73,700</u>	<u>-</u>	<u>73,700</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>(57,729)</u>	<u>219</u>	<u>(57,510)</u>
<u>Fund Balance</u> – Beginning of Year	<u>102,000</u>	<u>2,058</u>	<u>104,058</u>
<u>Fund Balance</u> – End of Year	<u>\$ 44,271</u>	<u>\$ 2,277</u>	<u>\$ 46,548</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 4

Statement of Revenues, Expenditures and Changes in Fund Balance

Fire Equipment Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes:			
Current Property Taxes	\$ 44,265	\$ 46,019	\$ 1,754
Charges for Services:			
Fire Run Fees	-	14,770	14,770
Interest and Rents:			
Earned Interest	-	101	101
Total	<u>44,265</u>	<u>60,890</u>	<u>16,625</u>
<u>Expenditures</u>			
Supplies	-	8	(8)
Capital Outlay	44,265	175,764	(131,499)
Debt Service	-	16,547	(16,547)
Total	<u>44,265</u>	<u>192,319</u>	<u>(148,054)</u>
<u>Excess Revenues (Expenditures)</u>	<u>-</u>	<u>(131,429)</u>	<u>(131,429)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Long-term Debt	-	73,700	73,700
Transfer In	-	-	-
Transfer (Out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>73,700</u>	<u>73,700</u>
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>\$ -</u>	<u>(57,729)</u>	<u>\$ (57,729)</u>
<u>Fund Balance</u> – Beginning of Year		<u>102,000</u>	
<u>Fund Balance</u> – End of Year		<u>\$ 44,271</u>	

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 5

Statement of Revenues, Expenditures and Changes in Fund Balance

Fireman's Savings Fund

For the Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenue</u>			
Interest	\$ -	\$ 29	\$ 29
Donations	-	1,962	1,962
Total	-	1,991	1,991
<u>Expenditures</u>			
Capital Outlay	-	1,772	(1,772)
Total	-	1,772	(1,772)
<u>Excess Revenues (Expenditures)</u>	-	219	219
<u>Other Financing Sources (Uses)</u>			
Transfer In	-	-	-
Transfer (Out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
<u>Excess Revenues (Expenditures) and Other Financing Sources (Uses)</u>	<u>\$ -</u>	219	<u>\$ 219</u>
<u>Fund Balance</u> – Beginning of Year		2,058	
<u>Fund Balance</u> – End of Year		<u>\$ 2,277</u>	

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Homestead Township

Schedule 6

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

All Enterprise Funds

March 31, 2004

<u>Operating Revenues</u>	<u>Rental House</u>
Rental Income	\$ 5,240
Total Revenues	<u>5,240</u>
<u>Operating Expenses</u>	
Interest	2,308
Supplies, Repairs and Maintenance	457
Depreciation	<u>1,978</u>
Total Expenses	<u>4,743</u>
<u>Operating Income</u>	<u>497</u>
<u>Other Financing Sources (Uses)</u>	
Operating Transfer	<u>19,000</u>
Total Other Financing Sources (Uses)	<u>19,000</u>
<u>Net Income</u>	19,497
<u>Retained Earnings</u> – Beginning of Year	<u>-</u>
<u>Retained Earnings</u> – End of Year	<u>\$ 19,497</u>

The Notes to the Financial Statements are an integral part of this system.

Tobin & Co.

Homestead Township

Schedule 7

Combining Statement of Cash Flows

All Enterprise Funds

March 31, 2004

	<u>Rental House</u>
OPERATING ACTIVITIES:	
Net Income	\$ 19,497
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	<u>1,978</u>
Net Cash Provided by Operating Activities	<u>21,475</u>
INVENTING ACTIVITIES:	
Investment in Land, Buildings and Equipment	<u>(125,031)</u>
Net Cash Used by Investing Activities	<u>(125,031)</u>
FINANCING ACTIVITIES:	
Proceeds from Mortgage Note	115,000
Principal Payments During the Year	<u>(9,571)</u>
Net Cash Used by Financing Activities	<u>105,429</u>
Increase in Cash and Cash Equivalents	1,873
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,873</u>

The Notes to the Financial Statements are an integral part of this system.

Tobin & Co.

Homestead Township

Schedule 8

Combining Statement of Changes in Assets and Liabilities

All Agency Funds – Current Tax Collections

For the Year Ended March 31, 2004

	<u>Balance</u> <u>3/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in Bank	\$ <u>153</u>	\$ <u>1,065,562</u>	\$ <u>1,054,136</u>	\$ <u>11,579</u>
Total Assets	\$ <u>153</u>	\$ <u>1,065,562</u>	\$ <u>1,054,136</u>	\$ <u>11,579</u>
 <u>Liabilities</u>				
Undistributed Taxes, and Interest	\$ <u>153</u>	\$ <u>1,065,562</u>	\$ <u>1,054,136</u>	\$ <u>11,579</u>
Total Liabilities	\$ <u>153</u>	\$ <u>1,065,562</u>	\$ <u>1,054,136</u>	\$ <u>11,579</u>

The Notes to the Financial Statements are an integral part of this system.

Tobin & Co.

Homestead Township

Schedule 9

2003 Property Tax Levy and Collections

For the Year Ended March 31, 2004

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County Tax	3.8473	\$ 186,353	\$ 154,019	\$ 32,334
County Jail	2.0000	96,873	80,065	16,808
County Tax – COA	0.6459	31,278	25,851	5,427
County Medical Care Facility	0.9787	47,399	39,175	8,224
County – Animal Control	0.1000	4,836	3,997	839
County – Veterans Relief	0.0250	1,203	994	209
School District Tax	19.7300	380,840	305,960	74,880
Intermediate School District	2.9929	144,966	119,813	25,153
State Education Tax	5.0000	242,195	217,046	25,149
Township Taxes:				
General	0.9841	47,661	39,391	8,270
Fire Protection	0.9496	45,990	38,011	7,979
Administration Fee		12,458	10,410	2,048
Recycling		18,462	15,249	3,213
Bridge		3,820	3,820	-
Commercial Forest		<u>335</u>	<u>335</u>	<u>-</u>
Total		<u>\$ 1,264,669</u>	<u>\$ 1,054,136</u>	<u>\$ 210,533</u>
State Equalized Value		\$71,846,150		
Taxable Value		\$48,508,264		
Percent of Levy Collected		83.35%		

The Notes to the Financial Statements are an integral part of this statement.